

**BEFORE
THE PUBLIC SERVICE COMMISSION OF
SOUTH CAROLINA**

DOCKET NO. 2018-319-E

In the Matter of:)	
)	DIRECT TESTIMONY OF
Application of Duke Energy Carolinas, LLC)	DAVID L. DOSS JR.
For Adjustment in Electric Schedules and)	FOR DUKE ENERGY
Tariffs)	CAROLINAS, LLC

I. INTRODUCTION AND PURPOSE

Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is David L. Doss Jr. and my business address is 550 South Tryon Street, Charlotte, North Carolina.

Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by Duke Energy Business Services, LLC, a service company affiliate of Duke Energy Carolinas, LLC ("DE Carolinas" or the "Company"), as Director of Electric Utilities and Infrastructure Accounting. DE Carolinas is a subsidiary of Duke Energy Corporation (together with its subsidiaries "Duke Energy").

Q. PLEASE SUMMARIZE YOUR EDUCATION AND PROFESSIONAL QUALIFICATIONS.

A. I graduated from the University of Texas at Austin with a Bachelor of Business Administration degree and I am a certified public accountant licensed in the state of Texas.

Q. PLEASE SUMMARIZE YOUR WORK EXPERIENCE.

A. I have over 30 years of professional experience with Duke Energy, including over 20 years of management experience in various accounting and finance roles. I was named to my current role as Director of Electric Utilities and Infrastructure Accounting in December 2016.

1 **Q. PLEASE BRIEFLY DESCRIBE YOUR DUTIES AS DIRECTOR OF**
2 **ELECTRIC UTILITIES AND INFRASTRUCTURE ACCOUNTING.**

3 A. I am responsible for the general accounting and financial reporting functions
4 of Duke Energy's public electric utility operating companies in the Carolinas,
5 Florida, Ohio, Indiana, and Kentucky, including DE Carolinas.

6 **Q. HAVE YOU PREVIOUSLY TESTIFIED BEFORE THIS OR ANY**
7 **OTHER COMMISSION?**

8 A. I testified before this Commission in DE Progress' 2016 South Carolina rate
9 case in Docket 2016-227-E. I have also testified before the North Carolina
10 Utilities Commission in DE Carolinas' 2017 rate case in Docket E-7, Sub
11 1146, and in Duke Energy Progress's ("DE Progress") rate case in Docket E-
12 2, Sub 1142.

13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

14 A. My testimony will cover the financial position of DE Carolinas at
15 December 31, 2017, and the actual results of the Company's operations for the
16 twelve months ending December 31, 2017 (the "Test Period"). The
17 Company's financial position and operating results and the actual data
18 required under 26 S.C. Code Ann. Reg. 103-823 of the Public Service
19 Commission of South Carolina's (the "Commission" or "PSCSC") Rules and
20 Regulations are set forth in Doss Exhibit 1 and in the column labeled "Total
21 Company Per Books" in Smith Exhibit 1. I discuss the amount of the
22 Company's nuclear decommissioning costs allocated to the Company's South
23 Carolina retail electric operations and that the Company is not including any

1 decommissioning expense in its rate request based on the results of the 2013
2 TLG Services Cost Studies and the Company's projected nuclear
3 decommissioning trust fund balances. I also discuss the amount of the
4 Company's depreciation expense based on the Company's revised
5 depreciation study being filed in this docket (the "Depreciation Study"),
6 included as Doss Exhibit 2, and the adjusted depreciation rates to the
7 Depreciation Study, included as Doss Exhibit 3 based on the partial settlement
8 agreement entered into with the Public Staff of the North Carolina Utilities
9 Commission ("NCUC") which was approved by the NCUC. Finally, I
10 provide as my Exhibit 4 the Decommissioning Cost Estimate Study prepared
11 by Burns and McDonnell, described later in my testimony.

12 **Q. WERE DOSS EXHIBITS 1, 2, 3 AND 4 PREPARED OR PROVIDED**
13 **HEREIN BY YOU, UNDER YOUR DIRECTION AND SUPERVISION?**

14 A. Yes. They were.

15 **Q. ARE YOU FAMILIAR WITH THE ACCOUNTING PROCEDURES**
16 **AND BOOKS OF ACCOUNT OF DE CAROLINAS?**

17 A. Yes. The books of account of DE Carolinas follow the Uniform System of
18 Accounts prescribed by the Federal Energy Regulatory Commission. This
19 Uniform System of Accounts has been adopted by the Commission and is
20 followed by the investor-owned utilities subject to its jurisdiction.

1 **Q. WHAT STEPS DOES THE COMPANY TAKE TO ENSURE THAT ITS**
2 **BOOKS AND RECORDS ARE ACCURATE AND COMPLETE?**

3 A. DE Carolinas maintains and relies upon an extensive system of internal
4 accounting controls and audits by both internal and external auditors. The
5 system of internal accounting controls provides reasonable assurance that all
6 transactions are executed in accordance with management's authorization and
7 are recorded properly.

8 The system of internal accounting controls is reviewed annually,
9 tested, and documented by the Company to provide reasonable assurance that
10 amounts recorded on the books and records of the Company are accurate and
11 proper. In addition, independent certified public accountants perform an
12 annual audit to provide assurance that internal accounting controls are
13 operating effectively and that the Company's financial statements are
14 materially accurate.

15 **II. FINANCIAL POSITION AND RESULTS**

16 **Q. PLEASE DESCRIBE WHAT IS PRESENTED ON DOSS EXHIBIT 1.**

17 A. Doss Exhibit 1 sets forth the Company's financial statements. Pages 1 and 2
18 contain the Company's Balance Sheet as of December 31, 2017. Page 3 is the
19 Company's Income Statement for the twelve months ending December 31,
20 2017. Page 4 is the Company's Statement of Capitalization at December 31,
21 2017. Certain information shown on Doss Exhibit 1 is also included in
22 Exhibit D to the Company's Application.

1 **Q. ARE THE CAPITAL EXPENDITURES AND OPERATING EXPENSES**
2 **REPRESENTED ON DOSS EXHIBIT 1 ACCURATE?**

3 A. Yes. An integral part of the Company's system of internal accounting controls
4 includes various budgeting, planning, and review procedures to establish and
5 monitor the capital and operating budgets, as well as actual expenditures.

6 **III. NUCLEAR DECOMMISSIONING**

7 **Q. WHAT AMOUNT OF NUCLEAR DECOMMISSIONING EXPENSE IS**
8 **INCLUDED IN DE CAROLINAS' PER BOOK AMOUNT FOR**
9 **DEPRECIATION EXPENSE?**

10 A. Effective January 1, 2015, DE Carolinas has not collected any funds from
11 South Carolina Retail customers for decommissioning of nuclear units, and
12 therefore the amount of nuclear decommissioning expense included in DE
13 Carolinas' per book amount for depreciation expense is \$0 in the Test Period.
14 DE Carolinas is not seeking to change the South Carolina retail annual
15 funding amount of \$0 for nuclear decommissioning costs as a part of this Rate
16 Case proceeding. DE Carolinas has initiated an update to its nuclear
17 decommissioning cost studies expected to be complete in late 2018 or early
18 2019, which will be filed with the PSCSC within 90 days of management
19 approval of the new estimates. Funding studies are required to be filed within
20 210 days of management approval of the revised estimates, which is
21 anticipated to be in 2019.

22 On April 8, 2014, DE Carolinas filed Decommissioning Cost Analyses
23 for its seven nuclear units located at the Oconee, McGuire and Catawba

1 Nuclear Stations pursuant to PSCSC Order No. 91-1022 in Docket No. 1991-
2 216-E. On March 6, 2015, DE Carolinas submitted the Nuclear
3 Decommissioning Cost and Funding (“DC&F”) Report, which demonstrated
4 that the projected decommissioning trust fund balances were sufficient and no
5 additional funding was required based on results of the updated cost studies,
6 trust fund balances and economic assumptions at that point in time. In
7 addition to filing the DC&F Report, the Company also petitioned the
8 Commission to issue an accounting order authorizing it to eliminate the
9 amount of nuclear decommissioning expense included in cost of service and
10 to defer in a regulatory liability account the excess amount included in rates
11 used to fund the Nuclear Decommissioning Trusts. Additionally, DE
12 Carolinas requested that the Commission authorize it to use the regulatory
13 liability account to offset expenses associated with permanently closing ash
14 basins and other ash storage units at the Company’s coal-fired generating
15 facilities, which have generated electricity to retail customers in South
16 Carolina.

17 The Commission approved DE Carolinas’ request on May 12, 2015
18 under Order No. 2015-308 in Docket No. 2015-96-E, which directed the
19 Company to eliminate the amount of nuclear decommissioning expense
20 included in cost of service effective January 1, 2015, and to defer in a
21 regulatory liability account the amount included in current rates used to fund
22 the Nuclear Decommissioning Trusts. Further, the Commission ruled that DE
23 Carolinas could use the regulatory liability account to offset expenses

1 associated with permanently closing ash basins and other ash storage units at
2 the Company's coal-fired generating facilities, which have generated or are
3 generating electricity to retail customers in South Carolina (with expenses
4 subject to review in a subsequent general rate case or other proceeding). DE
5 Carolinas noted that none of the amount in the regulatory liability account
6 would be used by the Company for costs to clean up the February 2, 2014,
7 release of coal ash into the Dan River, or for any fines or penalties stemming
8 from that incident.

9 The PSCSC requested that DE Carolinas continue to submit periodic
10 reports to the Commission and ORS updating its decommissioning cost
11 studies and the status of the funds, so as to ensure that an adequate level of
12 funds remain in the Nuclear Decommissioning Trust for future
13 decommissioning of the Company's nuclear units. DE Carolinas expects to
14 file these reports with the PSCSC in 2019 within the required filing deadlines
15 after the decommissioning cost studies and funding studies are complete.

16 **IV. DEPRECIATION RATES**

17 **Q. IS THE COMPANY REQUESTING REVISED DEPRECIATION**
18 **RATES IN THIS PROCEEDING?**

19 **A.** Yes. DE Carolina's depreciation rates were last changed in Order No. 2013-
20 190 issued on April 5, 2013. As a result of normal periodic review of the
21 Company's depreciation rates for compliance with Generally Accepted
22 Accounting Principles ("GAAP"), DE Carolinas commissioned a study of its
23 depreciation rates. Based on the results of the study, prepared by Gannett

1 Fleming Valuation and Rate Consultants, LLC, and included as Doss Exhibit 2
2 to my testimony, the Company has determined that it is appropriate to update
3 its depreciation rates.

4 **Q. PLEASE ELABORATE ON THE NOTABLE UPDATES TO THE**
5 **DEPRECIATION STUDY FILED IN THIS CASE.**

6 A. Notable updates in the Depreciation Study for production assets, include
7 updates to estimates of final plant decommissioning costs for steam,
8 hydraulic, and other production plants, as well as adjusting rates for updated
9 probable generation plant retirement dates. Estimates for final
10 decommissioning costs at steam, hydraulic, and other production plants were
11 obtained from the *Decommissioning Cost Estimate Study* prepared by Burns
12 and McDonnell, an external engineering firm. The study is included as Doss
13 Exhibit 4. Estimates for costs related to coal ash pond closure are not
14 included in the net salvage estimates, and therefore not included in
15 depreciation rates. The depreciation rates for various fossil and hydro plants
16 were also updated due to changes in the probable retirement dates. The
17 probable retirement dates used in the Depreciation Study represent the date of
18 the last projected retirement for each plant/depreciable group. The probable
19 retirement dates were updated primarily to align dates with current licenses,
20 industry information, or operational plans due to aging technology,
21 assumptions for future environmental regulations, or new planned generation.
22 The Depreciation Study also incorporates generation assets placed in service
23 since the last study (Dan River Combined Cycle, Cliffside Unit 6, and

1 Mocksville Solar Facility) and includes proposed depreciation rates to be used
2 for W.S. Lee Combined Cycle when it goes into service. As a result of these
3 updates, the Depreciation Study proposes a net increase in depreciation
4 expense for production assets.

5 Other notable updates to the Depreciation Study include an updated
6 rate for meters that will be replaced under the Company's AMI Deployment
7 program. Please see Witness Schneider's testimony for more information
8 about this program. The revised depreciation rate is designed to recover the
9 net book value of the assets being replaced through the AMI Deployment over
10 fifteen years. Additionally, a rate is proposed for new AMI meters using a 15-
11 year average service life, which causes an increase in depreciation expense for
12 currently installed AMI meters. With the exception of the increase in
13 depreciation expense for meters described above, the Depreciation Study
14 proposes a net decrease in depreciation expense for distribution, transmission,
15 and general plant assets. This is primarily driven by longer average service
16 lives for assets such as overhead and underground conductors and services.
17 The overall result of the updates to all of the functions is a net increase in
18 depreciation expense.

19 **Q. IS THE COMPANY PROPOSING ANY ADJUSTMENTS TO THE**
20 **DEPRECIATION STUDY?**

21 A. Yes. On June 22, 2018, the North Carolina Utilities Commission issued an
22 order in Docket No. E-7 Sub 1146 approving DE Carolinas' depreciation rates
23 based on the rates set forth in the Depreciation Study provided in Doss Exhibit

2 with three adjustments. First, use of a 10 percent contingency for future “unknowns” in the estimate of future terminal net salvage costs instead of the 20 percent proposed in the Depreciation Study. Second, use of a 15-year remaining life for the meters that are being retired pursuant to the Company’s Advanced Metering Infrastructure (“AMI”) program, instead of the approximate 3-year amortization proposed in the Depreciation Study. Finally, use of an interim net salvage percentage of zero, instead of the negative four percent interim net salvage percentage proposed in the Depreciation Study, for Accounts 342 [Fuel Holders, Producers and Accessories], 343 [Prime Movers], 344 [Generators], 345 [Accessory Electric Equipment] and 346 [Miscellaneous Power Plant Equipment]. These changes were used to calculate adjustments to the Depreciation Study and the revised depreciation rates are shown in Doss Exhibit 3 and support the depreciation rates shown on Page 4b of Smith Exhibit 1. The Company believes that these depreciation rates are reasonable for use in this proceeding and requests Commission approval of the revised depreciation rates resulting from the study, subject to the adjustments discussed above. These depreciation rates form the basis of the Company’s deferral request for incremental depreciation expense as discussed further in the testimony of DE Carolinas Witness Kim Smith.

Q. DOES THIS CONCLUDE YOUR PRE-FILED DIRECT TESTIMONY?

A. Yes.